

Joint Legislative Task Force on the Underground Economy

July 15, 2009

**Lorenda Lillard, Director
UI Division Tax Audits and Collections**



Implementation of 2008 Legislation

- **Independent Contractor Definition for Construction Contractors**
 - Policy and Procedures updated.
 - Computerized auditing program updated to recognize new requirements.
 - Website updated with links to independent contractor tests.
 - Staff have been trained.
 - Flyers were developed and printed.
 - Information published in the Quarterly Business Update.
- **Additional Auditors**
 - Created an additional Auditor 4 for Underground Economy.
 - Diverted 1.5 FTEs - Tax Specialist from Collections and Audits to Underground Economy.

Implementation of 2009 Legislation

- **Retainage from public works contracts**
 - We currently have a manual process in place to handle the workload.
 - We are working with our IT division to implement an electronic process.
 - We processed 659 requests in May and 463 requests in June.

- **Failure to keep records**
 - Process is under development.
 - This new penalty will apply to records for 4th quarter 2009 and forward.
 - Requirements for system programming have been identified.
 - Programming is scheduled to be completed by 1st quarter 2010.
 - First audit subject to this penalty will be conducted in 2nd quarter 2010.

Results

All Underground Economy Audits

	DOLLARS DISCOVERED				DOLLARS COLLECTED			
	Tax	Penalty	Interest	Total	Tax	Penalty	Interest	Total
4/08-3/09	\$2,257,032	\$438,872	\$329,386	\$3,025,290	\$256,972	\$69,913	\$48,629	\$375,515

UE Audits in Construction Industry

	DOLLARS DISCOVERED				DOLLARS COLLECTED			
	Tax	Penalty	Interest	Total	Tax	Penalty	Interest	Total
4/08-3/09	\$376,118	\$77,878	\$67,565	\$521,557	\$56,059	\$18,395	\$14,704	\$89,158

Economic Impacts

- Bankruptcy filings are increasing.
- Deferred Payment contracts are up 5% since 6/30/08.
- Deferred Payment contracts are being written for longer pay-back periods.
- Accounts Receivable increased about 3.5% between May and June 2009.
- For quarter end 3/31/09, over 97% of accounts were paid timely, but total dollars collected was 17% lower than quarter end 3/31/08.

Sharing Information

- We continue to exchange tips with Department of Labor and Industries as well as Department of Revenue. Cooperation is good between the agencies.
- We have e-training available for auditors so they can learn what is needed by each agency in an audit situation.
- Our Contracts unit was successful in updating the DSHS data sharing agreement for New Hire reporting to allow UI Tax to use the data for targeting purposes.

Areas for Additional Focus

- Transportation
- Employment Services
- Couriers
- Advertising
- Services to Buildings